



ECONOMIC INDICATORS

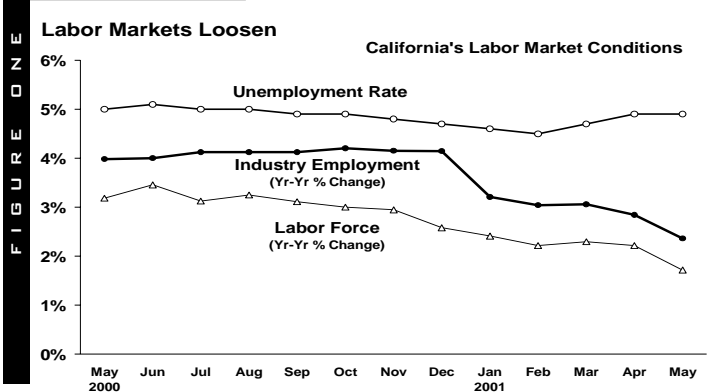
MAY - JUNE 2001

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

At mid-year it is evident that California's economy will not repeat its extraordinary year 2000 performance. Employment growth during the first five months of 2001 has slowed significantly from last year. The slowdown is principally centered in the San Francisco Bay Area and is the result of a dramatic contraction in internet-related service industries.

EMPLOYMENT

California's employment picture has changed notably since the end of 2000. In May, industry employment grew by 3,200 following gains of 19,400 in April and nearly 58,000 in March. Thus far in 2001, industry employment has expanded by an average of 12,500 each month compared to an average of 49,000 jobs each month in 2000. On a year-over-year basis, nonfarm employment has grown by 2.9 percent thus far in 2001—a full percentage point below the full year 2000 rate.



GOVERNMENT LEADS EMPLOYMENT GROWTH IN MAY

During May, government was the growth leader, adding 8,400 jobs. Reductions in federal and state government employment were more than offset by a 10,800 increase in local government—mainly education. In the private sector, financial services added 2,100 jobs, wholesale trade was up 1,500, and transportation/utilities increased by 1,000. Services fell 6,400, due in part to a decline of 1,300 in computer services (not seasonally adjusted), the first such decline since the series has been reported beginning in January 1996. Manufacturing was down 1,500 with the electronics industries falling by 2,400. Manufacturing employment expanded in the construction-related lumber, wood, stone, clay & glass industries as well as in the transportation, food processing, and printing and publishing industries.

CALIFORNIA OUTPERFORMING NATION

Despite decelerating job growth, California is still the nation's growth leader. While the state added over 3,000 jobs in May, nationally nonfarm employment fell by 19,000. Since the beginning of the year, California has accounted for 73 percent of all new nonfarm jobs in the nation, and 63 percent all new US jobs over the past year.

Looking at year-over-year performance, construction was the fastest growing major industry—at 5.8 percent—and services added the most jobs, nearly 157,000. Manufacturing is down 5,700 with significant losses in transportation, food processing, and apparel. Nationally, factories dropped 614,000 jobs over the past year.

INSIDE	Economic Forecast Update	4
	Economic Indicator Tables	7
	Economic Indicator Charts ...	10
	Chronology	14

UNEMPLOYMENT STEADY AT 4.9%

— . . . —

California's unemployment rate was unchanged in May at 4.9 percent, although the April rate was revised up 0.1 percentage point from the 4.8 percent originally reported. The rate a year ago was 5 percent. While still low by state and national standards, the unemployment rate of all San Francisco Bay Area counties rose in May.

Computer services, centered in the San Francisco Bay Area, are bearing the brunt of the employment slow down. Most dramatically, the expansion of business services—which includes computer programming and personnel supply services—has dropped precipitously from a year-over-year average rate of 12.7 percent in 2000 to 8.3 percent during the first five months of 2001. Business service employment grew by nearly 13,000 jobs per month in 2000 but has averaged only 800 a month thus far in 2001. Within business services, the growth rate of computer programming and services employment has been cut in half.

As would thus be expected, the most dramatic regional slowdowns have occurred in the San Francisco Bay Area. Year-over-year nonfarm employment growth in the San Jose Metropolitan Area—the Silicon Valley—has dropped from 5.9 percent in December 2000 to 1.3 percent in May 2001. Growth in the San Francisco Metropolitan Area over the same period dropped from 4.7 percent to 2.6 percent.

FIGURE TWO

Computer Services Are Hit

High Technology Industries Year-Over-Year Employment Growth		
	Full Year 1999-2000	First 5 Months 2000-2001
Manufacturing		
Computer & Office Equipment	-1.6%	-0.6%
Communications Equipment	3.8%	4.3%
Electronic Components	6.9%	5.2%
Aircraft & Parts	-10.3%	-7.7%
Missiles, Spacecraft & Parts	-2.6%	-6.8%
Search & Navigation Equip.	-8.8%	-0.7%
Measuring & Control Devices	8.1%	8.6%
Services		
Personnel Supply	10.3%	6.7%
Computer Programming & Related Services	32.5%	15.7%

FIGURE THREE

Business Services Slow

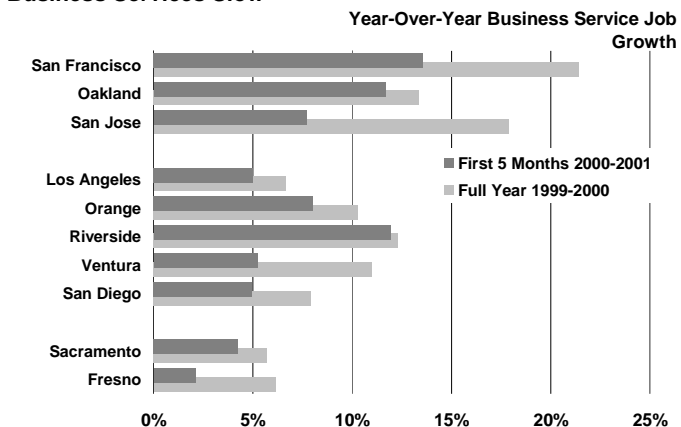
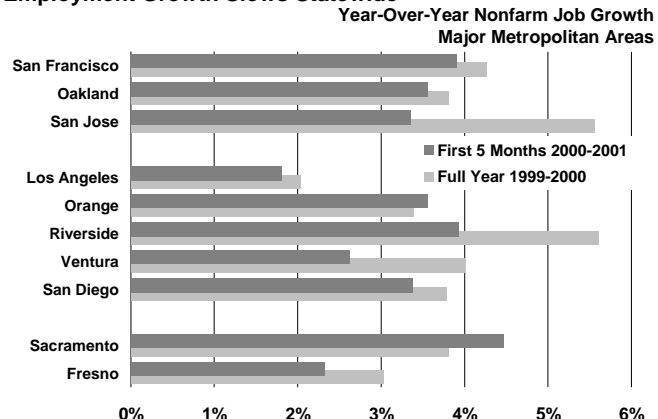


FIGURE FOUR

Employment Growth Slows Statewide



BUILDING ACTIVITY

HOME BUILDING MODERATES FOLLOWING JANUARY SURGE

— . . . —

Residential building growth slowed temporarily during the two months following January's surge that was sparked by impending fee increases. In a turnaround, April saw considerable growth driven entirely by multi-family construction. Nonresidential construction, on the other hand, continued to slide in April.

Residential building, measured by permit activity, rose 13 percent in April from one year ago. Although single-family construction was up only 4.8 percent, the volatile multifamily sector posted a gain of 43.7 percent. Total residential permits reached an annual rate of 155,507 units in April. Through the first four months of 2001, residential construction has averaged an annual rate of 162,000 units, well above the annual total of 148,200 units permitted in 2000.

NEW POWER PLANTS UNDER CONSTRUCTION

Nonresidential construction, measured by permit values, continued to slide from the January peak. Although total nonresidential building was up only 0.9 percent from the April 2000 level, construction permitting during the first four months of 2001 ran 7.7 percent above the same period last year. Strong office construction growth continues to lead nonresidential construction gains with the largest increases occurring in the San Francisco Bay Area.

Due to its volatile month-to-month fluctuations, public works construction is typically not a useful short-term economic indicator. However, several developments in California public works construction in the first few months of 2001, including four major power plant projects, are worth noting.

Heavy (civil works) construction—roads, bridges, water/sewer facilities, and power facilities—began during the first four months of 2001 totaled \$4.05 billion, up 29.6 percent from the same period in 2000. While sewer and water works projects contributed the largest increases, power plant construction also grew substantially. Four large power plant projects were started in Kern, San Bernardino, and Monterey counties totaling \$1.3 billion. This is a \$475.5 million, or 55.8 percent increase over power plant and line construction begun during the same months of 2000.

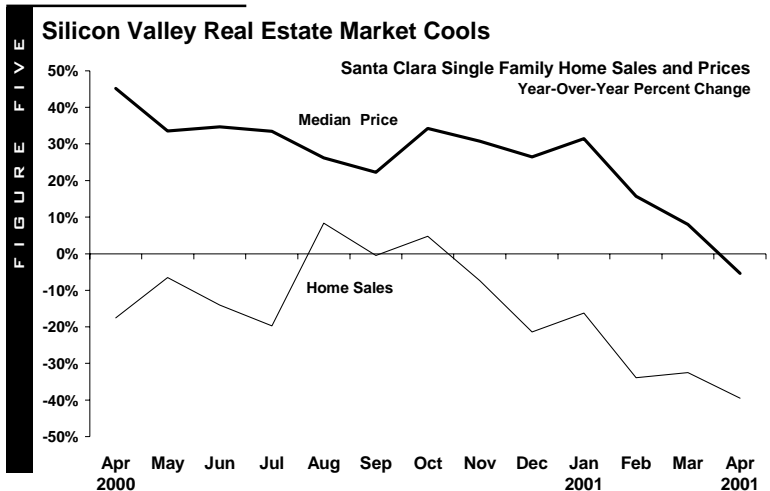
Public (government-owned) building construction during the first four months of 2001 was also up a considerable 71.3 percent from the same period of 2000. The largest increases came from school and community college construction, which increased 91 percent to total \$1.1 billion.

REAL ESTATE

California's real estate market is showing signs of a cooling trend. Home sales have moderated and prices in the state's costliest region, Santa Clara County, have actually softened. After rising sharply in March to an annual rate of 518,410, closed escrow sales of existing, single-family homes statewide fell back to a seasonally adjusted 495,390 unit pace in April, up only 0.5 percent from one year ago. Similarly, following a significant run-up in March, the median price of a single-family home dropped slightly to \$262,420 in April, although it is still up 10.7 percent from a year ago.

For the past several years, Santa Clara County—the Silicon Valley—has led the state with the fastest rising real estate values. A booming stock market and a vibrant high technology industry drove year-over-year home price inflation up to 45 percent early in 2000. However, during the first months of 2001, record high home prices coupled with a weak high tech stock market have cooled off this market. In April 2001 the median home price in the Silicon Valley actually fell on a year-over-year

basis for the first time in over three years. According to the California Association of Realtors, the median price of an existing single family home in Santa Clara County declined to \$530,000—5.4 percent less than the April 2000 median. The price drop was accompanied by an even more dramatic 39.5 percent decline in sales volume from the year-ago level.



A SOFTER MARKET FOR THE SILICON VALLEY

ECONOMIC FORECAST UPDATE

The following forecast is from the May Revision of the Governor's 2001-02 Budget and is based on information available as of April 19, 2001.

THE NATION

U.S. economic growth has been slower than expected in recent months, and the national slowdown has begun to affect California. Despite a recent rally, stock prices—especially in the high-technology sector—are lower than projected in January. Additionally, while the energy crisis has not yet directly affected the national or California economy, rising wholesale energy costs are expected to have a ripple effect throughout the western United States. Reflecting these developments, forecasts of most economic indicators have been revised down from the Governor's Budget.

After four years of robust 4 percent growth, the nation's economy slowed markedly starting around the middle of 2000. Real, or inflation-adjusted, gross domestic product (GDP) growth averaged only 1.7 percent at an annual rate during the second half of 2000 and the first three months of 2001. The Blue Chip Consensus forecast for 2001 economic growth has fallen from 3 percent in December to only 1.8 percent in April.

While the initial 2 percent estimate of first quarter growth was better than most analysts had expected (later revised to 1.3 percent), employment declined during both March and April, and the April jobless rate jumped to 4.5 percent from 3.9 percent last November. Thus far, buoyant con-

sumer spending has helped offset weakness in business investment—the main element in the recent slowdown. However, rising unemployment, coupled with unrestrained wholesale energy prices throughout the nation, might trigger a setback in household spending that could halt or even reverse economic growth.

Despite these concerns, most economists believe the U.S. economy is likely to avoid an outright downturn. First quarter GDP included a sharp contraction in business inventories, implying that many companies are preparing for a period of sluggish sales. In addition, the Federal Reserve has acted aggressively to offset developing weakness, cutting short-term interest rates by two full percentage points since the beginning of 2001, with the promise of more rate cuts to come. Lower interest rates have helped avert a slump in housing, which has been a prominent feature of every post-World War II recession.

Selected U.S. Economic Indicators

	Forecast		
	2000	2001	2002
Real gross domestic product, (1996 dollar) (Percent change)	5.0	1.3	2.5
Personal consumption expenditures	5.3	2.6	2.8
Gross private domestic investment	10.2	(2.6)	2.2
Government purchases of goods and services	2.8	2.3	2.4
GDP deflator (1996=100) (Percent change)	2.0	2.7	2.0
GDP, (Current dollar) (Percent change)	7.1	4.0	4.5
Federal funds rate (Percent)	6.24	4.55	4.03
Personal income (Percent change)	6.3	4.7	4.4
Corporate profits before taxes (Percent change)	12.5	(6.9)	7.2
Nonfarm wage and salary employment (Millions)	131.4	132.0	132.2
(Percent change)	2.0	0.5	0.1
Unemployment rate (Percent)	4.0	4.8	5.5
Housing starts (Millions)	1.61	1.56	1.50
(Percent change)	(4.2)	(2.9)	(4.1)
New car sales (Millions)	8.9	8.3	8.2
(Percent change)	1.8	(6.5)	(1.2)
Consumer price index (1982-84=100)	172.2	178.0	182.0
(Percent change)	3.4	3.4	2.2

*Forecast based on data available as of April 2001.
Percent changes calculated from unrounded data.*

The nation's large trade deficit is also cushioning the domestic economy from the effects of slower spending. For example, in the first quarter, the falloff in inventories and continued weakness in business equipment spending were offset by a sharp drop in imports. The resultant narrowing of the trade deficit was the main factor in the better-than-expected gain in first quarter GDP. Thus, it appears that declining imports—which boosts GDP growth—may offset some of the weakness in domestic spending.

The remainder of 2001 is expected to see a continuation of recent slow growth in the 0.5 to 2 percent range—well below the economy's estimated 3.5 to 4 percent potential growth rate. In these circumstances, job growth will also remain sluggish, and the unemployment rate is expected to rise to around 5.5 percent by early 2002. Business investment spending will continue to be a drag on growth, reflecting previous over-investment in communications equipment and rising commercial vacancy rates.

By early next year, as the stimulative effects of interest rate cuts begin to take hold, growth is expected to gradually improve to around 3 percent—closer to long-term potential—allowing the jobless rate to edge down.

The California economy avoided the national slowdown during the second half of 2000, entering 2001 with very strong momentum. The state accounted for more than two-thirds of all new jobs created in the nation on an April 2000-to-April 2001 comparison. Of particular note, manufacturing employment, down by 553,000 nationwide over the past year, actually posted a 12,000-job gain in California on an April-to-April comparison.

Although California's growth continues to outpace the nation by a wide margin, the state is clearly not immune to a nationwide slowdown in economic activity. The early months of 2001 revealed a significant moderation in the state's economic growth. Gains in nonfarm employment, which averaged more than 150,000 each quarter during 2000, slowed to only 41,500 during the first three months of 2001.

In addition, announcements by several of the state's major companies point to a softening in high-tech jobs in the months ahead. However, to an increasing degree, California companies specialize in the advanced stages of design, research, and development, rather than the actual manufacturing of finished goods and components. Because most technology-oriented firms are reluctant to cut future product development, the effects of the weakness in high-technology goods and services are likely to be somewhat muted in California.

Given the recent slowing of job growth, non-farm employment this year is likely to moderate to 2.3 percent growth, down from 3.8 percent in 2000. Even though some pickup is projected in 2002, year average growth is expected to be under 2 percent. The unemployment rate—a lagging indicator—is forecast to edge up to 5 percent this year from a 4.9 percent average in 2000, and rise further to 5.7 percent in 2002.

Construction trends are expected to be mixed. Low interest rates and a large backlog of unmet demand should encourage further gains in new residential construction, with 160,000 new units authorized by building permits in 2001, up from 150,000 in 2000. Next year, homebuilding is expected to reach 166,000 units.

Although California has avoided the commercial construction excesses of the 1980s, slower job growth, coupled with new supply already under construction, will result in rising commercial and retail vacancy rates, which in turn will discourage new construction starts. After several years of strong double-digit growth, nonresidential permit values (not adjusted for inflation) are expected to slow to 6.4 percent growth this year and 2.6 percent in 2002.

Much of last year's extraordinary income growth reflected a surge in stock option incomes—counted in wages and salaries—reflecting the “bubble” in the technology-heavy NASDAQ index that more than doubled in value between mid-October 1999 and early March 2000. Of the \$81 billion increase in wages and salaries last year, the Department of Finance estimates that \$34 billion or 42 percent was attributable to the increase in the value of stock options exercised.

As a result of the collapse of this bubble, the projected slowdown in personal income growth—from a 16-year high of 11.5 percent in 2000, to only 2 percent in 2001—is far greater than warranted by the moderation in job gains from 3.8 percent last year to 2.3 percent in 2001. With the NASDAQ having now given up all of the early 2000 gains and then some—in early May the index was down nearly 60 percent from the March 5, 2000, peak—it seems virtually certain that option-generated incomes will fall from last year's elevated levels. However, forecasting this increasingly important but extremely volatile element of income involves assumptions both about stock prices over the remainder of 2001 and about the behavior of option holders.

Lower stock prices reduce the value of each option exercised, especially since the strike price (the price at which the option holder actually “buys” the shares) rises over time. In addition, it seems likely that skyrocketing stock prices last year encouraged the exercise of more options than would have occurred under more ordinary circumstances. Thus, some of last year’s options were accelerated from 2001 and future years.

This forecast assumes that option-related incomes drop back to near 1999-levels, representing a decline of about 37 percent, or \$31 billion from 2000. This assumption allows for some further recovery in the NASDAQ, which averaged about 2800 in 1999, about 600 points higher than the early May trading range.

To illustrate the impact of this assumption on personal income, if stock option-related incomes were held constant, 2001 personal income growth in this forecast would be 7.6 percent rather than 2 percent. Because much of this option income is taxed at or near the top 9.3 percent personal income tax rate, the effect on General Fund revenues is even larger than implied by the effect on household incomes.

In addition to options, the stock market also affects personal income tax revenues through capital gains on the sale of stocks and the gains realized within mutual funds. These gains are excluded from the economic measure of personal income.

The May Revision of the Governor’s Budget includes an actual decline in General Fund revenues—the first drop since the early 1990s. Although moderating economic growth would be expected to slow tax revenue gains, the projected decline can be traced to the effects of declining stock prices on capital gains and the exercise of stock options.

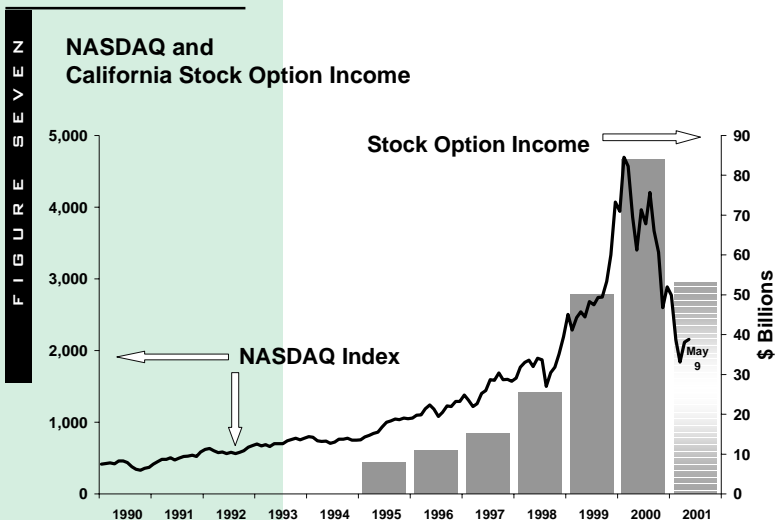


FIGURE EIGHT

Selected California Economic Indicators

	2000	Percent Change	Forecast		2002	Percent Change
			2001	Percent Change		
Personal income (\$ billions)	\$1,105.7	11.5%	\$1,128.2	2.0%	\$1,191.0	5.6%
Nonfarm W&S employment (thousands)	14,525	3.8%	14,864	2.3%	15,116	1.7%
Mining	24	1.0%	24	3.3%	24	-1.9%
Construction	730	7.4%	776	6.2%	813	4.8%
Manufacturing	1,945	1.2%	1,949	0.2%	1,948	-0.1%
High technology	517	0.9%	517	0.0%	515	-0.4%
Transportation/utilities	742	3.1%	758	2.1%	769	1.5%
Whlse & retail trade	3,305	3.3%	3,372	2.0%	3,422	1.5%
Finance group	821	0.4%	831	1.3%	838	0.8%
Services	4,636	5.7%	4,795	3.4%	4,909	2.4%
Government	2,321	3.7%	2,359	1.6%	2,394	1.5%
Unemployment rate	4.9%		5.0%		5.7%	
Housing permits (thousands)	150.3	7.4%	160.4	6.7%	165.8	3.4%
Consumer price index	174.8	3.7%	182.6	4.5%	187.0	2.4%

Forecast based on data available as of April 20, 2001.

Percent changes calculated from unrounded data.

SELECT INDICATORS

EMPLOYMENT

EMPLOYMENT (Seasonally adjusted)

	2001				2000	Yr-Over-Yr % Change
	May	Apr	Mar	Feb	May	
Civilian employment (000)	16,505	16,535	16,513	16,497	16,194	1.9
Unemployment (000)	843	844	818	780	861	-2.1
Unemployment rate	4.9	4.9	4.7	4.5	5.0	--
Nonagricultural wage and salary employment (000)	14,821.5	14,818.3	14,798.8	14,741.2	14,479.5	2.4
Mining	23.3	23.4	23.7	23.6	23.5	-0.9
Construction	766.5	767.5	765.1	761.7	724.7	5.8
Manufacturing	1,934.7	1,936.2	1,944.3	1,945.0	1,940.4	-0.3
Durable	1,216.3	1,217.5	1,224.3	1,226.2	1,212.0	0.4
High technology a/	512.4	513.6	516.0	517.4	511.2	0.2
Computer and office equipment	93.8	93.9	93.8	94.0	95.3	-1.6
Communications equipment	42.0	42.6	42.9	43.2	41.7	0.7
Electronic components	164.7	165.5	167.0	167.6	160.0	2.9
Aircraft and parts	71.0	70.9	71.3	71.3	76.1	-6.7
Missiles, spacecraft, and parts	20.7	20.7	20.7	20.8	22.3	-7.2
Search and navigation equipment	48.9	48.8	48.8	48.4	48.6	0.6
Measuring and controlling devices	71.3	71.2	71.5	72.1	67.2	6.1
Nondurable	718.4	718.7	720.0	718.8	728.4	-1.4
Transportation and public utilities	766.0	765.0	765.4	761.1	743.9	3.0
Trade	3,365.4	3,364.7	3,358.3	3,344.4	3,283.1	2.5
Wholesale	851.0	849.5	847.7	845.0	824.1	3.3
Retail	2,514.4	2,515.2	2,510.6	2,499.4	2,459.0	2.3
Finance, insurance, and real estate	843.3	841.2	840.5	837.2	817.6	3.1
Services e/	4,747.8	4,754.2	4,742.7	4,720.3	4,591.2	3.4
Business services	1,434.8	1,437.9	1,434.6	1,426.7	1,359.9	5.5
Motion pictures	182.8	191.9	189.8	185.6	188.4	-3.0
Amusement and recreation services	212.2	213.3	213.8	213.4	209.0	1.5
Engineering and management consulting	476.0	476.5	474.7	474.7	467.5	1.8
Government	2,374.5	2,366.1	2,358.9	2,347.9	2,355.1	0.8
Federal	259.0	261.0	261.4	260.8	321.7	-19.5
State and local	2,115.5	2,105.1	2,097.5	2,087.1	2,033.4	4.0

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	40.7	40.2	41.0	40.9	41.4	-1.7
Average weekly earnings	\$593.41	\$585.31	\$594.91	\$593.05	\$585.40	1.4
Average hourly earnings	\$14.58	\$14.56	\$14.51	\$14.50	\$14.14	3.1

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	n.a.	181.0	n.a.	179.8	n.a.	--
San Francisco CMSA	n.a.	189.1	n.a.	187.9	n.a.	--
Los Angeles CMSA	177.5	176.6	176.2	175.4	171.1	3.7
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	174.1	n.a.	172.8	n.a.	--
San Francisco CMSA	n.a.	184.9	n.a.	183.5	n.a.	--
Los Angeles CMSA	170.5	169.6	169.1	168.3	164.4	3.7

CONSTRUCTION

CONSTRUCTION

	2001				2000	Yr-Over-Yr % Change
	Apr	Mar	Feb	Jan	Apr	
Private residential housing units authorized (000) b/	155.5	155.1	153.8	183.4	137.6	13.0
Single units	113.9	118.8	124.6	134.3	108.6	4.8
Multiple units	41.6	36.3	29.2	49.1	29.0	43.7
Residential building authorized valuation (millions) c/	\$2,475	\$2,261	\$2,599	\$3,411	\$2,221	11.4
Nonresidential building authorized valuation (millions) c/	\$1,370	\$1,417	\$1,589	\$1,858	\$1,358	0.9
Nonresidential building authorized valuation (millions) d/	\$1,287	\$1,483	\$1,322	\$1,664	\$1,293	-0.5
Commercial	454	584	581	703	370	22.8
Industrial	101	152	99	196	199	-49.2
Other	175	170	139	191	148	18.2
Alterations and additions	557	577	502	574	577	-3.5

AUTO SALES

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	n.a.	146,066	148,772	156,579	142,061	--
---------------------------------	------	---------	---------	---------	---------	----

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

**SELECT
INDICATORS
(CONTINUED)**

VACANCY RATES

— . . . —

MEDIAN PRICES

— . . . —

**VACANCY RATES FOR 1ST QUARTER 2001
(Percent)**

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Oakland-East Bay	4.9	5.1	4.8	--
Sacramento	6.3	4.7	6.8	10.8
San Francisco	7.1	7.0	7.5	5.9
San Jose	5.8	4.9	6.1	--
Southern California:				
Los Angeles Metro	11.6	15.0	10.9	9.2
Orange County	13.0	--	13.0	--
San Diego	7.0	8.3	6.7	5.9
Ventura County	10.3	--	10.3	--
National Average	9.0	7.0	10.3	8.1

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2000				2001			
Jan	\$226,870	Jul	243,240	Jan	\$246,380	Jul	
Feb	227,160	Aug	255,580	Feb	245,560	Aug	
Mar	233,140	Sep	248,020	Mar	262,980	Sep	
Apr	241,600	Oct	252,510	Apr	262,420	Oct	
May	240,470	Nov	251,760	May	257,060	Nov	
Jun	244,230	Dec	249,370	Jun		Dec	

**LEADING
INDICATORS/A**

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.4	66,020	4,712	90.5
	Feb	4.8	41.8	56,117	4,358	122.6
	Mar	5.1	42.1	58,765	3,571	98.7
	Apr	5.0	41.9	60,178	3,908	102.4
	May	5.0	41.8	59,332	4,500	108.2
	Jun	4.9	41.7	63,601	4,383	108.4
	Jul	4.9	41.8	61,923	4,750	112.3
	Aug	5.1	42.0	63,215	4,236	114.3
	Sep	5.0	42.1	64,015	4,742	121.2
	Oct	5.0	42.0	61,550	4,745	127.9
	Nov	5.0	42.2	57,984	4,439	117.1
	Dec	5.1	42.2	59,066	4,824	108.8
1998	Jan	5.1	42.0	56,203	4,716	105.8
	Feb	5.0	41.9	59,940	4,559	111.7
	Mar	4.9	41.8	58,820	4,598	128.8
	Apr	4.5	41.1	58,157	5,009	116.6
	May	4.7	41.8	58,924	4,540	121.6
	Jun	4.8	41.9	54,258	4,718	142.9
	Jul	4.8	42.0	54,260	4,845	117.5
	Aug	4.6	41.8	52,863	4,405	137.2
	Sep	4.5	41.6	50,654	3,722	125.9
	Oct	4.7	41.8	53,019	4,722	137.2
	Nov	4.6	41.7	54,254	4,778	139.9
	Dec	4.6	41.8	54,316	4,605	126.8
1999	Jan	4.6	42.0	51,980	4,942	140.7
	Feb	4.7	41.9	52,386	5,047	137.6
	Mar	4.7	41.9	53,251	6,016	134.6
	Apr	4.7	41.9	53,415	5,011	140.3
	May	4.8	41.9	50,463	5,364	141.4
	Jun	4.7	41.9	51,412	5,528	145.3
	Jul	4.6	41.8	51,272	5,300	148.3
	Aug	4.6	41.6	51,151	5,890	136.8
	Sep	4.6	41.5	49,985	5,781	133.4
	Oct	4.8	41.6	49,621	5,685	134.5
	Nov	4.8	41.5	51,198	6,098	142.6
	Dec	4.8	41.5	45,432	6,470	142.0
2000	Jan	4.9	41.4	50,599	6,530	154.1
	Feb	4.9	41.3	48,720	6,769	157.7
	Mar	4.9	41.3	47,543	8,319	153.0
	Apr	5.2	41.9	45,925	7,465	137.6
	May	5.0	41.5	47,972	6,824	132.6
	Jun	5.1	41.7	49,091	7,218	179.4
	Jul	5.1	41.6	48,595	7,149	133.5
	Aug	4.9	41.6	47,998	7,240	143.3
	Sep	5.0	42.0	47,351	7,027	141.9
	Oct	5.2	41.8	49,757	7,334	142.4
	Nov	4.8	41.6	47,904	7,735	150.1
	Dec	4.8	41.5	52,955	6,240	165.4
2001	Jan	4.4	40.9	47,965	7,512	183.4
	Feb	4.5	41.2	48,812	6,244	153.8
	Mar	4.5	41.0	53,582	6,477	155.1
	Apr	3.9	40.5	55,375	6,198	155.5
	May	4.3	40.8	n.a.	7,084	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	444
	Feb	12,968	1,887	6.6	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	397
	May	13,096	1,905	6.3	367
	Jun	13,129	1,913	6.3	379
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	374
	Sep	13,220	1,927	6.2	382
	Oct	13,253	1,933	6.2	386
	Nov	13,263	1,942	6.1	374
	Dec	13,332	1,952	6.1	401
1998	Jan	13,405	1,954	6.1	337
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	364
	Apr	13,495	1,960	6.0	366
	May	13,537	1,965	6.0	356
	Jun	13,578	1,962	5.9	352
	Jul	13,604	1,946	5.9	351
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	6.0	354
	Oct	13,728	1,944	5.8	334
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.8	371
1999	Jan	13,786	1,925	5.6	356
	Feb	13,827	1,923	5.6	366
	Mar	13,856	1,924	5.5	369
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.2	377
	Jun	13,948	1,923	5.2	376
	Jul	14,002	1,922	5.1	350
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	364
	Oct	14,084	1,924	5.0	344
	Nov	14,121	1,923	5.0	348
	Dec	14,171	1,925	5.0	341
2000	Jan	14,256	1,933	4.9	357
	Feb	14,306	1,934	4.9	345
	Mar	14,360	1,937	5.0	345
	Apr	14,409	1,937	5.0	335
	May	14,480	1,940	5.0	333
	Jun	14,507	1,947	5.1	333
	Jul	14,579	1,952	5.0	334
	Aug	14,612	1,953	5.0	343
	Sep	14,644	1,951	4.9	314
	Oct	14,676	1,952	4.9	332
	Nov	14,707	1,953	4.8	348
	Dec	14,759	1,953	4.7	315
2001	Jan	14,714	1,950	4.6	350
	Feb	14,741	1,945	4.5	354
	Mar	14,799	1,944	4.7	349
	Apr	14,818	1,936	4.9	383
	May	14,822	1,935	4.9	n.a.

INCOME, WAGES, TAXABLE SALES

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	756,093	85,169	72,555
	Qtr II	770,213	86,494	74,894
	Qtr III	777,974	87,800	76,045
	Qtr IV	781,601	88,764	76,863
1996	Qtr I	801,895	93,871	78,937
	Qtr II	806,756	91,200	80,116
	Qtr III	811,252	90,351	80,398
	Qtr IV	829,714	94,874	81,145
1997	Qtr I	841,316	100,333	82,866
	Qtr II	852,798	102,251	84,167
	Qtr III	869,311	104,352	85,968
	Qtr IV	885,034	105,143	87,444
1998	Qtr I	901,547	108,286	87,246
	Qtr II	914,431	111,341	89,126
	Qtr III	929,394	112,827	90,733
	Qtr IV	951,641	117,286	91,120
1999	Qtr I	954,565	117,047	93,739
	Qtr II	976,823	121,074	97,146
	Qtr III	1,002,894	127,493	99,747
	Qtr IV	1,031,245	131,080	103,096
2000	Qtr I	1,090,895	147,778	107,393
	Qtr II	1,085,702	141,268	109,940
	Qtr III	1,118,982	151,793	109,979
	Qtr IV	1,096,264	139,932	109,409
2001	Qtr I	1,166,378	156,212	110,033

a/ Seasonally adjusted by the California Department of Finance with the exception nonagricultural and manufacturing employment and the unemployment rate which seasonally adjusted by the California Employment Development Department.
n.a. Not available

OTHER
INDICATORS

DOD Prime Contracts a/					Foreign Trade through California Ports				
	<u>\$ millions</u>	<u>% of U.S.</u>		<u>\$ millions</u>	<u>% of U.S.</u>		<u>\$ millions</u>		<u>\$ millions</u>
1981-82	22,685	21.8	1991-92	23,843	21.2	<u>2000</u>		<u>2001</u>	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	27,067	Jan	31,457
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,883	Feb	27,796
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,957	Mar	31,866
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	31,128	Apr	
1986-87	24,515	18.4	1996-97	18,477	17.3	May	30,898	May	
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	33,650	Jun	
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	33,222	Jul	
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	35,781	Aug	
1990-91	24,265	19.5				Sep	35,250	Sep	
						Oct	37,506	Oct	
						Nov	34,125	Nov	
						Dec	33,615	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL
NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

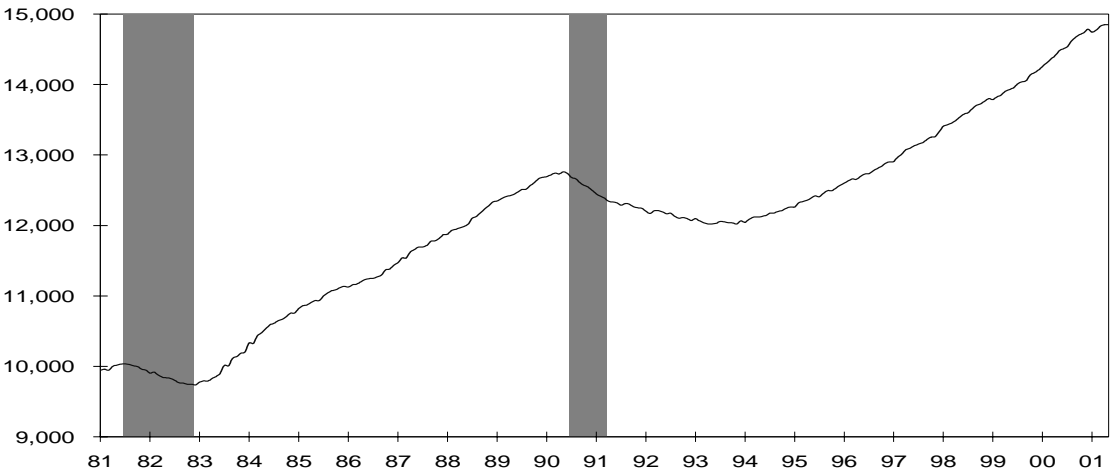
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

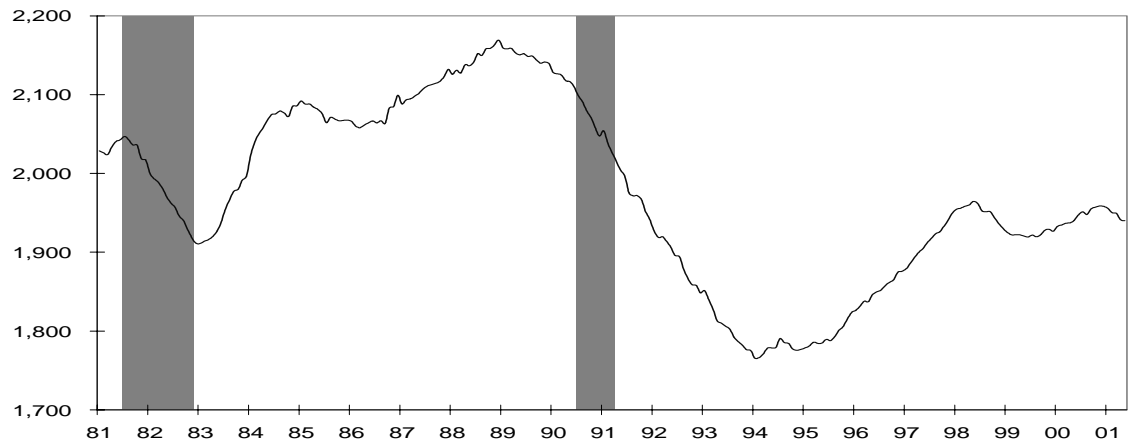
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

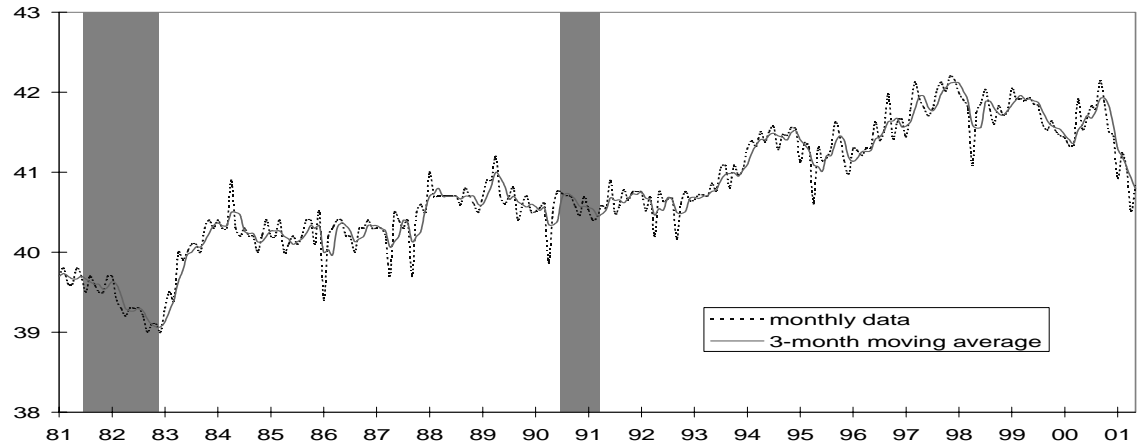
NONAGRICULTURAL
EMPLOYMENT
(THOUSANDS,
SEASONALLY ADJUSTED)



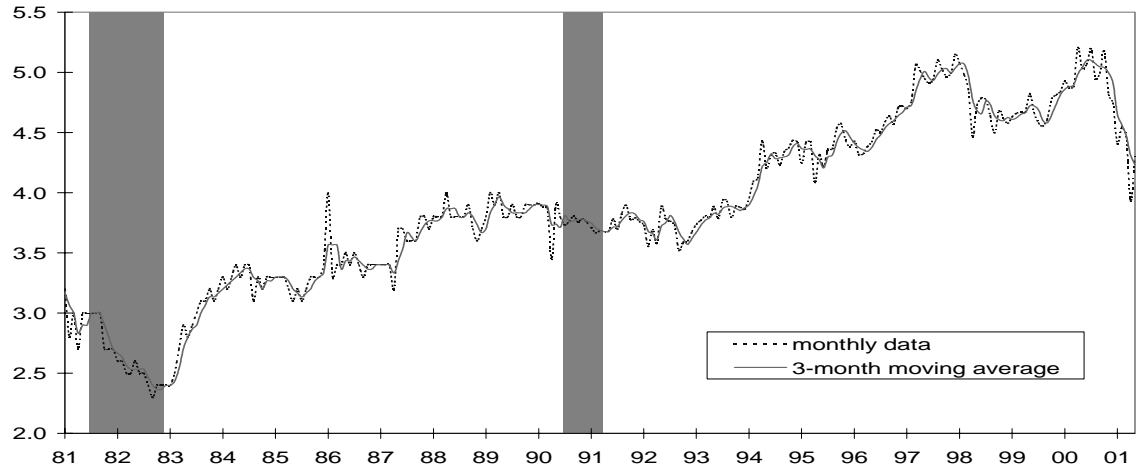
**MANUFACTURING
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)



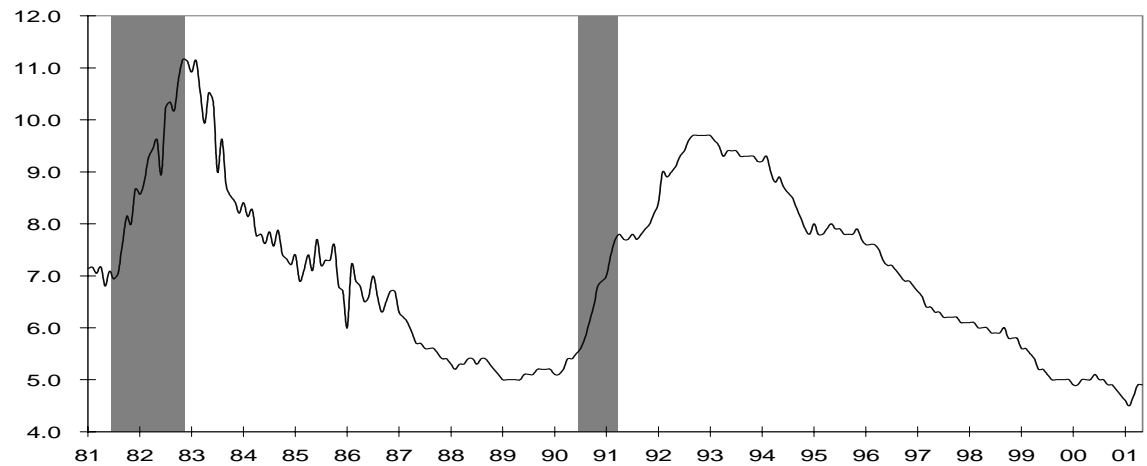
**AVERAGE WEEKLY
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)



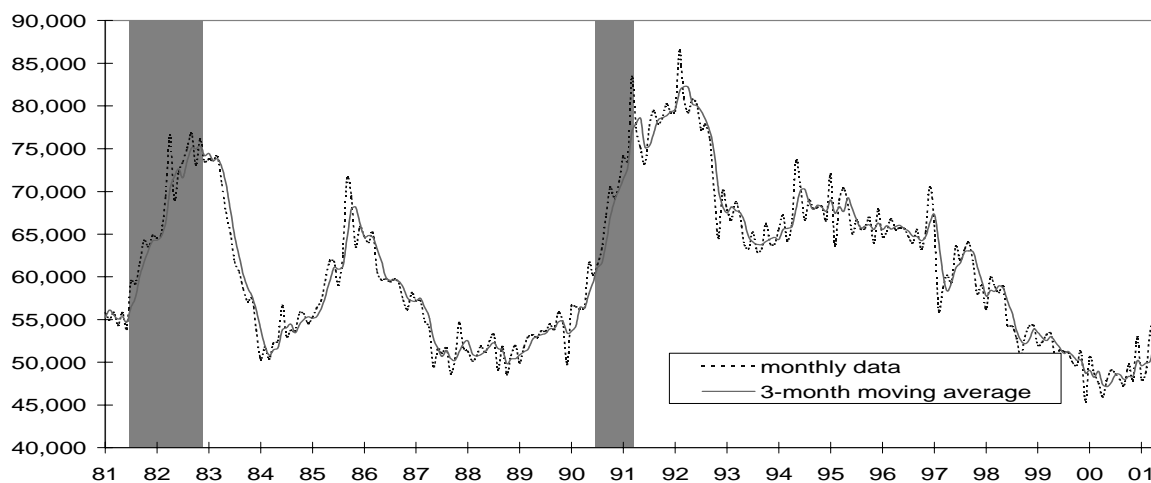
**AVERAGE OVERTIME
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)



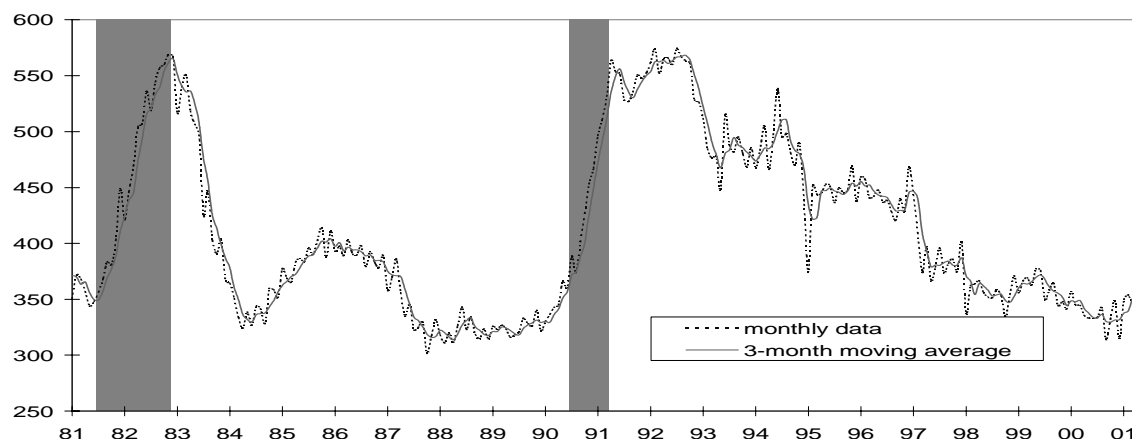
**UNEMPLOYMENT
RATE**
(PERCENT)



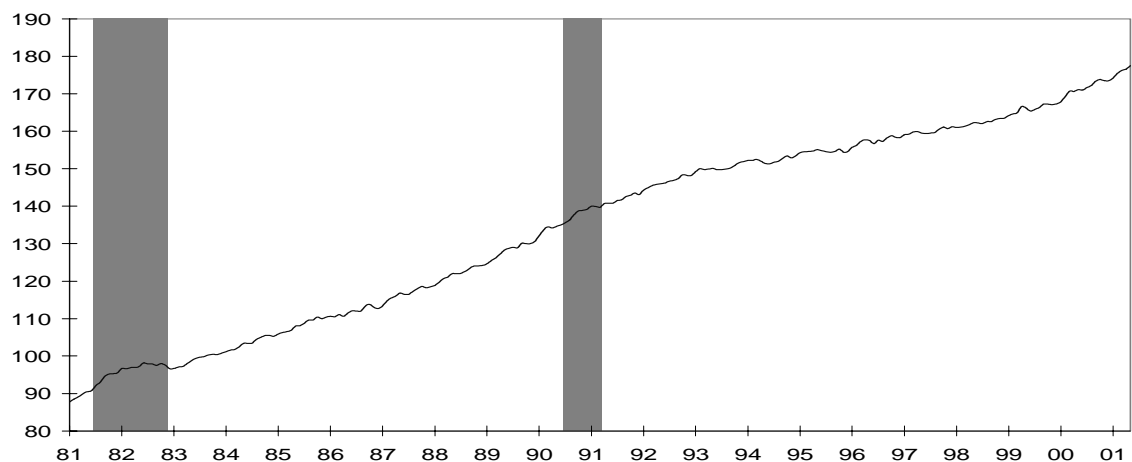
INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE (WEEKLY AVERAGE, SEASONALLY ADJUSTED)



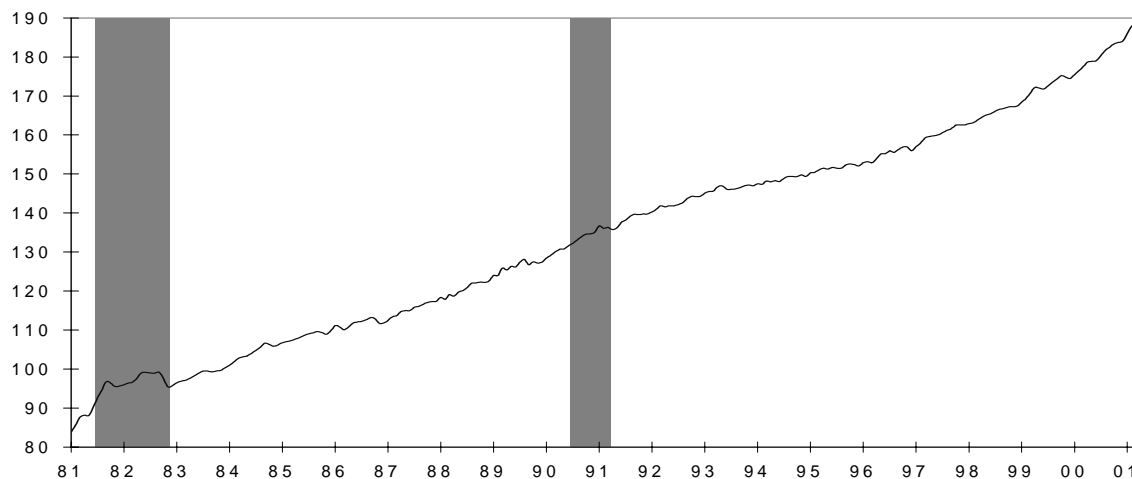
UNEMPLOYMENT, AVERAGE WEEKS CLAIMED (THOUSANDS, SEASONALLY ADJUSTED)



CONSUMER PRICE INDEX, LOS ANGELES (1982-84=100)



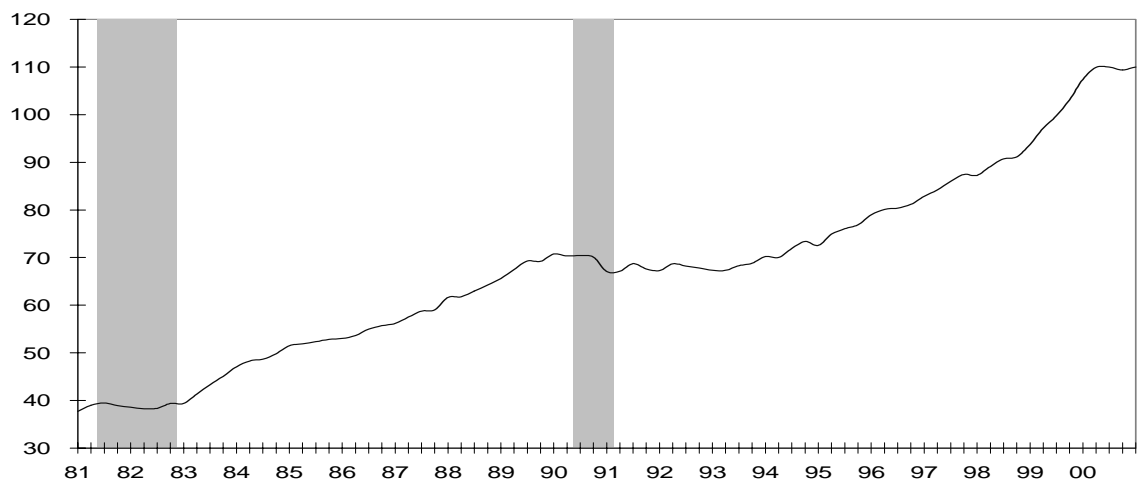
CONSUMER PRICE INDEX, SAN FRANCISCO (1982-84=100)



TAXABLE SALES

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

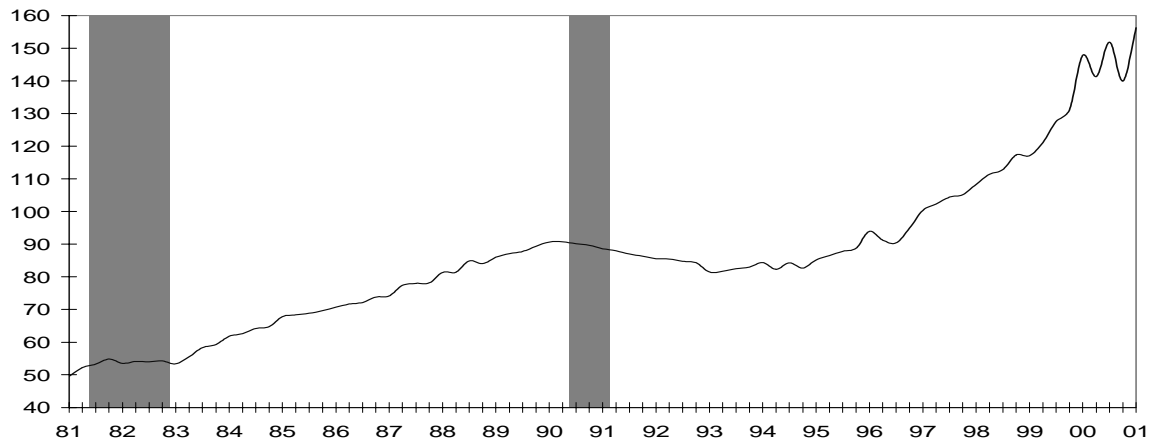
— . . . —



WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

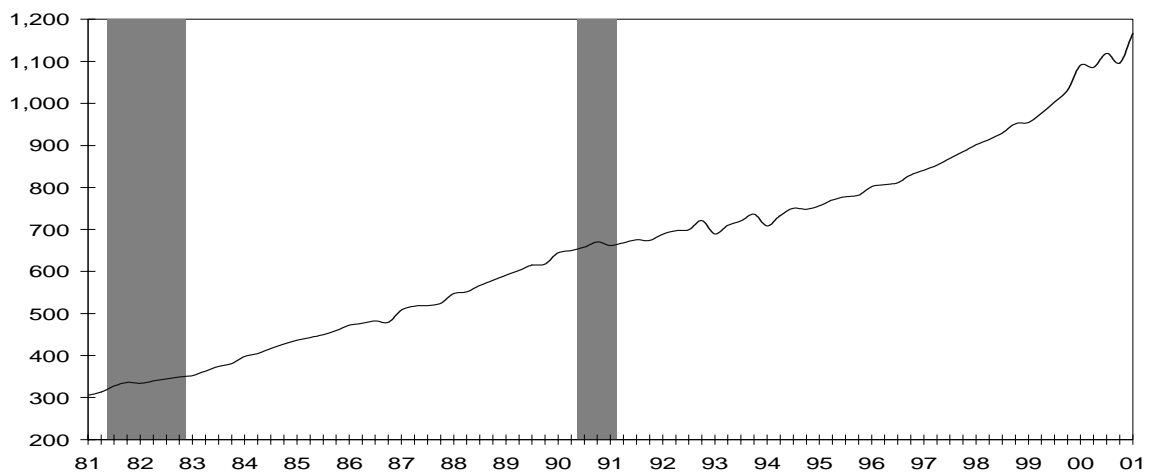
— . . . —



PERSONAL INCOME

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

— . . . —

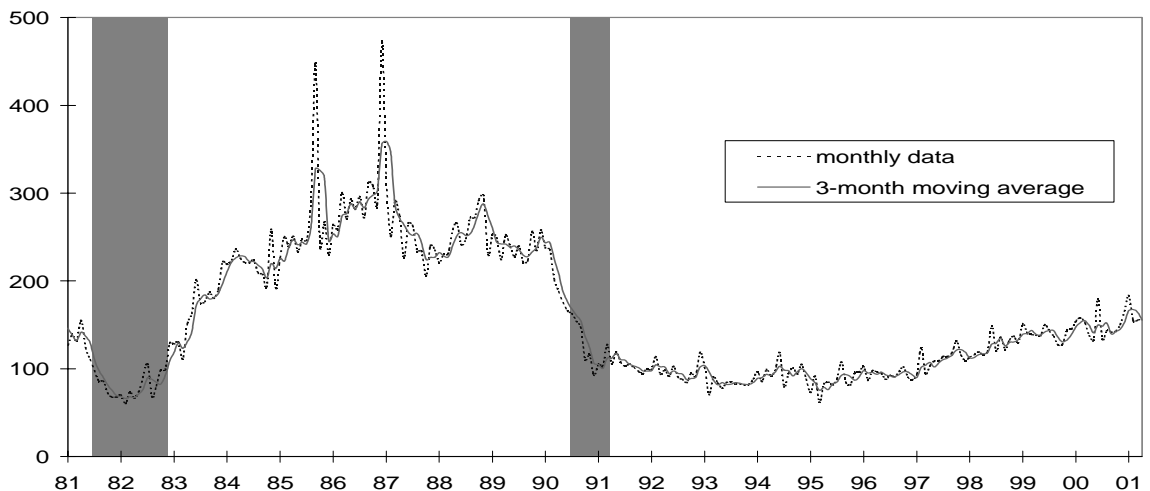


NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY ADJUSTED AT ANNUAL RATE)

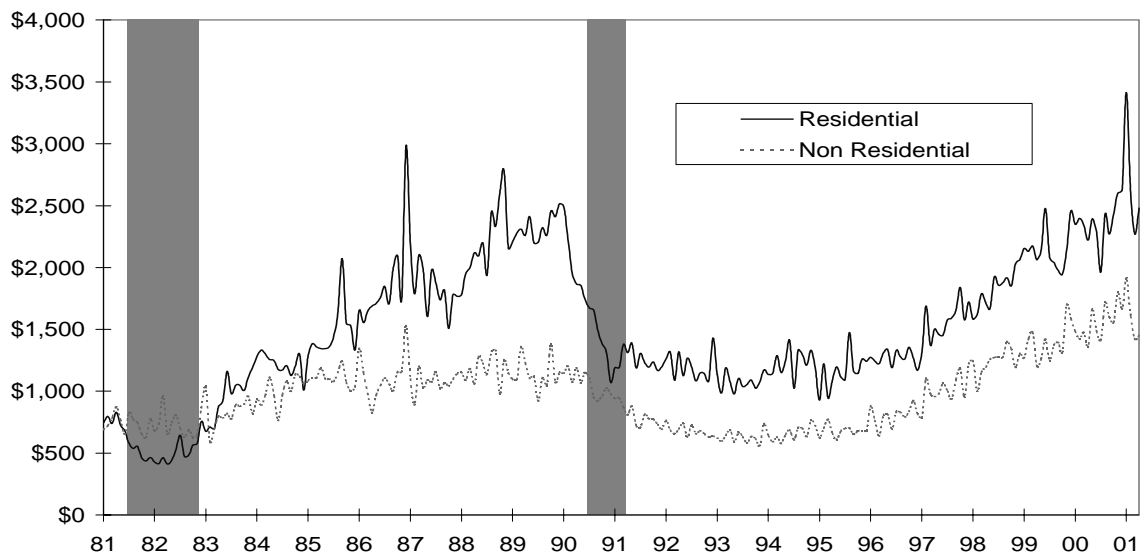
(THOUSANDS, SEASONALLY
ADJUSTED AT ANNUAL RATE)

— . . . —



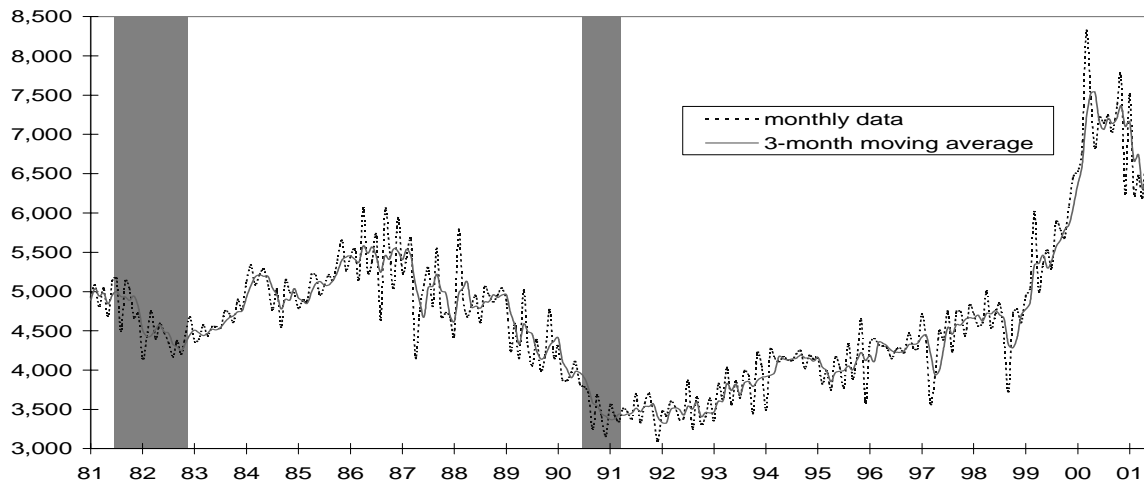
RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)



NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2000

January 27

Fourth quarter GDP grew at an annual rate of 5.8 percent.

February 2

Federal funds rate raised from 5.50 percent to 5.75 percent.

Discount rate raised from 5.00 percent to 5.25 percent.

February 4

The nation's jobless rate at 4 percent is lowest in 3 decades.

February 7

Pfizer Inc. and Warner-Lambert Co complete merger deal.

March 20

Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.

Crude oil prices drop below \$30 a barrel.

March 21

Federal funds rate raised from 5.75 percent to 6.0 percent.

Discount rate raised from 5.25 percent to 5.50 percent.

March 30

GDP growth rate for 4th quarter was revised upward to 7.3 percent, its strongest pace since 1984.

April 7

President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.

April 10	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
April 27	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.
May 16	Federal funds rate raised from 6.0 percent to 6.5 percent. Discount rate raised from 5.5 percent to 6.0 percent.
June 29	GDP 1 st quarter growth rate revised from 5.4 to 5.5 percent.
July 28	GDP 2 nd quarter grew at an annual rate of 5.2 percent.
August -	World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.
September 19	China was granted permanent normal trade relations status with the U.S.
September 28	GDP growth rate for 2 nd quarter was revised to 5.6 percent.
October 18	Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.
October 31	OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.
December 21	GDP for 3 rd quarter grew at an annual rate of 2.2 percent.
January 1	California's minimum wage raised from \$5.75 to \$6.25.
January 1	The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.

RETURN ADDRESS

CALIFORNIA
DEPARTMENT
OF FINANCE

915 - L STREET
EIGHTH FLOOR
SACRAMENTO, CA
95814

TO

SUBSCRIPTIONS

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

MAIL SUBSCRIPTION REQUEST
AND PREPAYMENT
(NO BILLING AVAILABLE) TO:
CA DEPARTMENT OF FINANCE
P.O. Box 151
SACRAMENTO, CA 95801

INTERNET AVAILABLE

YOU CAN OBTAIN THE
CALIFORNIA ECONOMIC
INDICATORS,
AND OTHER
DEPARTMENT OF
FINANCE PUBLICATIONS
ON THE INTERNET AT
WWW.DOF.CA.GOV

